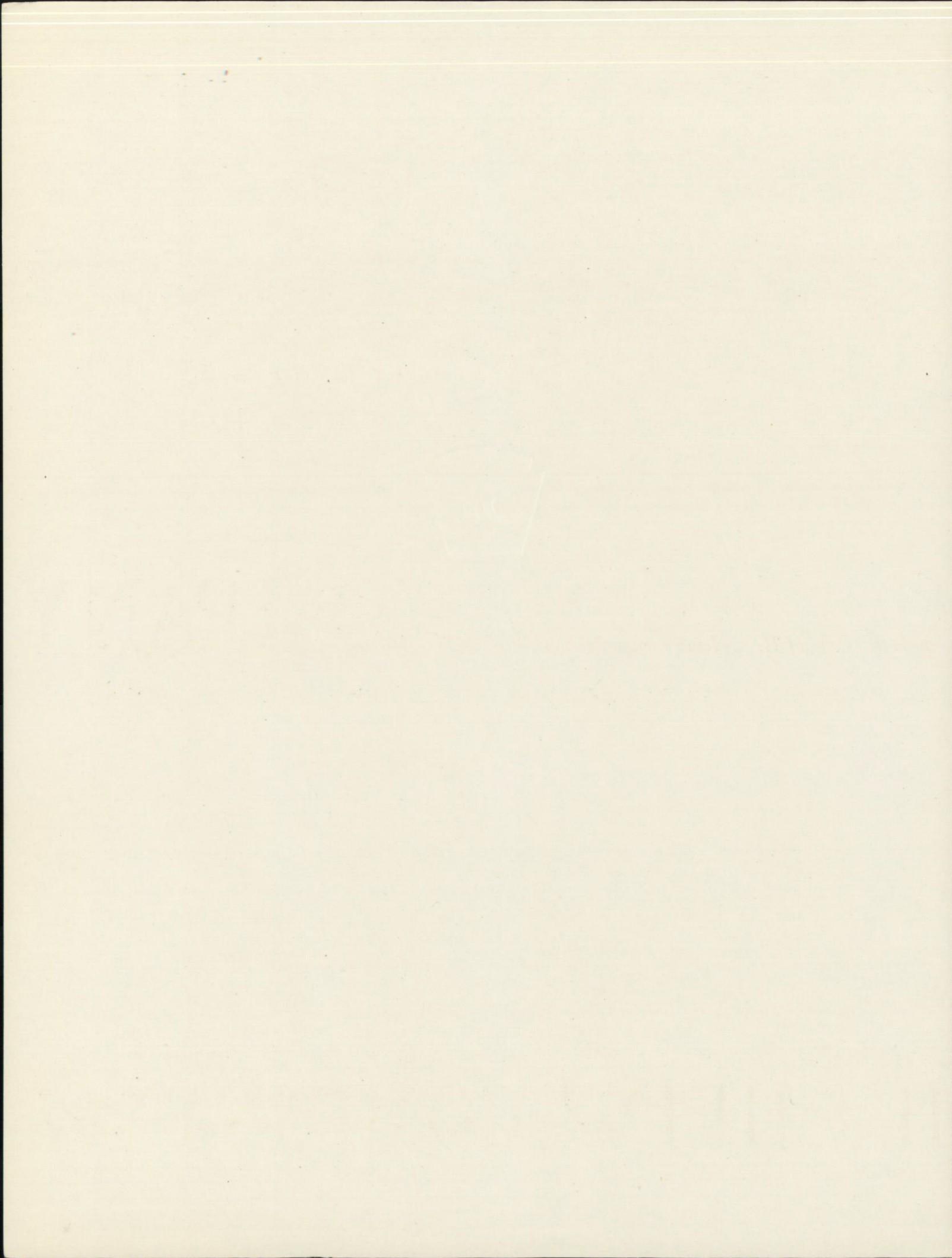


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H. J. HEINZ COMPANY

makers of the 57 varieties / Annual Report for the year ended April 30, 1958



Annual Report of H. J. Heinz Company · makers of the 57 varieties · for the year ended April 30, 1958

H. J. HEINZ COMPANY
P. O. Box 57, Pittsburgh 30, Pennsylvania



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TRANSFER AGENTS

City Bank Farmers Trust Company, New York, N.Y.
Mellon National Bank and Trust Company, Pittsburgh, Pa.

REGISTRARS

Guaranty Trust Company of New York, N.Y.
Fidelity Trust Company, Pittsburgh, Pa.

DIVIDEND DISBURSING AGENT

Mellon National Bank and Trust Company, Pittsburgh, Pa.

ANNUAL MEETING

Second Friday of September, 2 p.m.
at Company Offices, 1062 Progress Street, Pittsburgh, Pa.

H. J. HEINZ COMPANY

PITTSBURGH, PA.

BOARD OF DIRECTORS

| | | |
|-------------------|----------------------|-------------------|
| Henry J. Heinz II | Frank Armour, Jr. | C. Lee Rumberger |
| Herbert N. Riley | Frank B. Cliffe | Frank T. Sherk |
| Arthur L. Schiel | Junius F. Allen | Norman E. Daniels |
| Charles Heinz | P. Kenneth Shoemaker | B. Dent Graham |
| | Lewis A. Lapham | |

EXECUTIVE COMMITTEE

| | | |
|-------------------|-------------------|-----------------|
| Henry J. Heinz II | Frank Armour, Jr. | Frank B. Cliffe |
| | Junius F. Allen | Frank T. Sherk |

FINANCE COMMITTEE

| | | |
|-----------------|------------------|----------------|
| Frank B. Cliffe | Carl A. Brinkman | R. Burt Gookin |
|-----------------|------------------|----------------|

EXECUTIVE OFFICE

| | |
|-------------------------|--|
| Henry J. Heinz II..... | <i>President</i> |
| Frank Armour, Jr..... | <i>Executive Vice President</i> |
| Frank B. Cliffe..... | <i>Vice President and Secretary</i> |
| Junius F. Allen..... | <i>Vice President—Foreign Operations</i> |
| Carl A. Brinkman..... | <i>Treasurer</i> |
| Charles Heinz..... | <i>Vice President—Personnel</i> |
| Frederick C. Heinz..... | <i>Vice President—Industry Relations</i> |

OPERATING EXECUTIVES

AUSTRALIA

H. J. HEINZ COMPANY, PTY., LTD.
Dandenong, Victoria

Resident Directors:

| | |
|------------------------|------------------------------|
| John A. W. Ross..... | <i>Managing Director</i> |
| Henry G. Dennett..... | <i>Finance</i> |
| W. Norman Owen..... | <i>Sales and Advertising</i> |
| Leonard S. Crowe..... | <i>Manufacturing</i> |
| W. Wentworth Watt..... | <i>Comptroller</i> |

GREAT BRITAIN
H. J. HEINZ COMPANY, LTD.
London, England

Resident Directors:

| | |
|---------------------------|--|
| Frederick G. Crabb..... | <i>Managing Director</i> |
| Joseph E. Hutchinson..... | <i>Research, Development and Quality Control</i> |
| A. Gordon Esslemont..... | <i>Secretary</i> |
| Arthur A. Morgan..... | <i>Sales</i> |
| Bert A. Harris..... | <i>Engineering and Construction</i> |
| John Eccles..... | <i>Purchasing</i> |
| Anthony Beresford..... | <i>Manufacturing</i> |
| William B. Cormack..... | <i>Retired Managing Director</i> |

CANADA

H. J. HEINZ COMPANY OF CANADA, LTD.
Leamington, Ontario

Resident Directors:

| | |
|-------------------------|-------------------------------------|
| Frank T. Sherk..... | <i>Executive Vice President</i> |
| Morris S. Dixon..... | <i>Vice President—Manufacturing</i> |
| Leonard D. Crimp..... | <i>Vice President—Sales</i> |
| Edward V. Anderson..... | <i>Vice President—Marketing</i> |
| John M. Page..... | <i>Comptroller and Secretary</i> |

UNITED STATES
H. J. HEINZ COMPANY
Pittsburgh, Pa.

| | |
|---------------------------|--|
| Frank Armour, Jr..... | <i>Executive Vice President, Chairman U.S.A. Operating Committee</i> |
| Norman E. Daniels..... | <i>Vice President—Purchases</i> |
| R. Burt Gookin..... | <i>Comptroller</i> |
| B. Dent Graham..... | <i>Vice President—Marketing</i> |
| C. Lee Rumberger..... | <i>Vice President—Research and Quality Control</i> |
| John D. Scott..... | <i>Vice President—Sales</i> |
| P. Kenneth Shoemaker..... | <i>Vice President—Manufacturing</i> |
| Ross E. Jones..... | <i>Vice President—Distribution</i> |

H. J. HEINZ COMPANY
AND SUBSIDIARIES

**SUMMARY OF
CONSOLIDATED FINANCIAL RESULTS**

| | FISCAL YEAR ENDED | | |
|--|-------------------|---------------|---------------|
| | April 30, 1958 | May 1, 1957 | May 2, 1956 |
| | 52 Weeks | 52 Weeks | 53 Weeks |
| Net Sales..... | \$293,811,817 | \$278,852,384 | \$262,425,046 |
| Net Income for the Year..... | \$ 9,336,913 | \$ 10,626,252 | \$ 10,583,944 |
| Net Income as a Percentage of Net Sales..... | 3.2% | 3.8% | 4.0% |
| Net Income per Share of Common Stock..... | \$ 5.36 | \$ 6.12 | \$ 6.09 |
| Dividends Paid on Preferred Stock..... | \$ 282,413 | \$ 293,417 | \$ 300,086 |
| Dividends Paid on Common Stock..... | \$ 3,715,573 | \$ 3,377,794 | \$ 3,040,014 |
| Dividends Paid per Share of Common Stock..... | \$ 2.20 | \$ 2.00 | \$ 1.80 |
| Net Income Retained in Business..... | \$ 5,338,927 | \$ 6,955,041 | \$ 7,243,844 |
| Net Income Retained per Share of Common Stock..... | \$ 3.16 | \$ 4.12 | \$ 4.29 |
| Total Taxes Charged to Income..... | \$ 11,476,528 | \$ 14,195,804 | \$ 14,538,944 |
| Total Taxes per Share of Common Stock..... | \$ 6.80 | \$ 8.41 | \$ 8.61 |
| New Capital Obtained..... | \$ — | \$ 1,927,000 | \$ 1,075,000 |

PRESIDENT'S REPORT TO STOCKHOLDERS AND EMPLOYEES

Consolidated net sales for our 89th year of operations were \$293,811,817 or 5% more than the \$278,852,384 of the previous year.

Consolidated net income after taxes for the fiscal year ended April 30, 1958, was \$9,336,913 compared with \$10,626,252 last year. This income, after providing for payment of preferred dividends, is equal to \$5.36 per share of common stock, an earning rate that has been exceeded only in the two previous years.

Dividends were paid on the common stock for the 47th consecutive year. The increased dividend rate of \$.55 per quarter, first paid in January, 1957, was maintained throughout fiscal year 1958 and thus paid stockholders a total of \$2.20 per share for shares held the full year.

Dividends continued to be paid regularly on the \$100 par value preferred shares at the annual rate of \$3.65 per share.

RESEARCH

As it rises over the north bank of the Allegheny River at Pittsburgh, our nearly completed Research Center, in its modern dress of glass and aluminum, symbolizes the philosophy which has guided the House of Heinz for all of its 89 years. Here are housed the research nerve center and central laboratories of this international business. Here, too, are the Executive Offices, from which our world-wide activities are directed.

To us, "research" means the constant questioning and investigating of every process and procedure, policy, and principle, whether in manufacturing, marketing, accounting or personnel administration. In

our highly competitive market what was good enough yesterday is inadequate today; what is modern today will be obsolete tomorrow. We believe that the one way we can equip ourselves to compete successfully in the market place is through a "research attitude" toward everything we do.

The installation of the Research and Quality Control Division, with allied engineering, experimental kitchens and pilot plant in the new Center has given fresh impetus to this traditional quest for improvement. The combination of ideal working conditions and improved equipment, plus appropriate departmental proximity, speeds up many laboratory and pilot shop operations.

Our extensive staff of scientists, engineers and experimental chefs give continuing major research attention to flavor, uniformity and nutritional values.

In agronomy we continue to develop superior strains of tomatoes, cucumbers and other fruits and vegetables. We have had singular success in the development of strains and varieties that are not only well suited to our needs in size, color and uniformity, but also have inbred disease-resistant characteristics. Furthermore, continued research in crop protection techniques has improved the growers' income as a result of better yields per acre.

PERSONNEL

Lewis A. Lapham was elected to the Board of Directors on July 12, 1957. Mr. Lapham is President of Grace Line, Inc. and a director of W. R. Grace Company, Bankers Trust Company of New York, Barbour Oil Company, Federal Insurance Company,

Vigilant Insurance Company, and of the Tri-Continental Corporation.

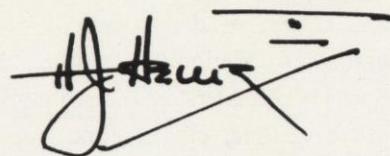
The Canadian Company has elected Morris S. Dixon, Vice President—Manufacturing; Leonard D. Crimp, Vice President—Sales; and Edward V. Anderson, Vice President—Marketing.

SPANISH SUBSIDIARY

The capital stock of the small olive processing plant in Spain, whose operations have never been included in our consolidated financial statements, was sold last year, for approximately the net asset value shown in our 1957 Annual Report. The Spanish subsidiary's operations have been unimportant to us for some years, and it consumed a disproportionate share of managerial attention.

SUBSIDIARY IN HOLLAND

Shortly before the close of the fiscal year, we completed negotiations for the purchase of 100% of the capital stock of Taminiau's Conservenfabrieken, N.V. This company name will be changed to H. J. Heinz Company (Holland) N.V. Its headquarters will be in Elst, Over Betuwe, Holland. Taminiau is well known for its jams, preserved fruits, etc., which will continue to be marketed under the trade name of TEO. Production will soon start on typical Heinz varieties that are presently available on the Continent only by importation. The present manufacturing facilities and marketing organization will be expanded as needed to provide for the substantial sales volume that we expect in Benelux and eventually in the European Common Market.

A handwritten signature in black ink, appearing to read "H. J. Heinz". It is written in a cursive style with a large, sweeping "H" and "J". There is a small checkmark or dot to the right of the signature.

UNITED STATES OPERATIONS

Sales of the Company in the United States for fiscal year 1958 were slightly below those of a year ago. The slowing of general business, that became evident about midway through our year, was reflected thereafter in a tightening of sales, particularly to the Hotel and Restaurant Trade and in the non-staple items. Our sales to the Grocery Trade made substantial gains. While the total dollars of net sales were down slightly, the number of units sold was the highest in history.

Competition for the consumer's food dollar, already lively, became more intense, producing throughout the industry a profusion of special inducements to purchase—premiums, temporary price reductions, coupon offers, multiple unit sales and many other promotion devices.

Our transition from a system of direct distribution to retailers through Company-operated warehouses, to a system of distribution through wholesalers, is nearing completion, after three years of intensive effort. Wholesalers and distributors now furnish us with a flexible, efficient and aggressive distribution system that will keep retail outlets properly supplied. During this change, it has been necessary to continue Company warehousing facilities at some locations where they will not be required when conversion is completed in their areas. In the last year, nineteen such branch warehouses were discontinued and their operations consolidated in centrally located distribution warehouses.

Sales offices have been maintained at all locations. Accounting functions for all branches have been consolidated into twelve central locations. The function of the sales personnel has been streamlined so as to devote more time and attention to merchandising in the 28,800 super markets which now do 67% of the entire food business in the U.S. To accomplish this purpose, specialized selling has been further increased during the year with the establishment of the new chain store branches at Rock Island, Chicago, Long Island, Detroit, Hartford and Albany.

The transition to distribution through wholesalers

has been costly and has temporarily reduced the net income. Management is confident, however, that most of the major problems created by the switch to non-company distribution have now been solved and that the savings and efficiencies inherent in this change will be reflected in future profits, beginning in fiscal year 1959.

Production and Inventory

A below-normal tomato crop last fall in our growing areas and a stabilized sales level for the year led to curtailed production by the United States Company. Inventories, especially of finished goods, were rigidly controlled, resulting in a reduction from the position a year ago. Inventories are currently in good balance with sales.

Building Program

Considerable progress was made during the year on Phase II of the Holland (Michigan) Factory rehabilitation. The project, which was started in June 1953, provides for the construction of new production and warehousing facilities, together with improved offices and quality control laboratories. The program is now about 75% completed. When finished in 1959, 287,000 square feet of new floor space will have been provided as replacement or additional space.

We completed Phase I of the Muscatine Factory rehabilitation as of April 30, 1958. This provided new manufacturing and warehouse facilities for pickle operations at Muscatine, including a salthouse building. All types of pickle processing are now possible at this factory.

Phase II of the Muscatine Factory rehabilitation, comprising a new warehouse and extensive road construction, commenced during the fiscal year and will be completed this summer.

Office and quality control facilities at Tracy were completed during the year.

We began on the final phase of complete modernization of Pittsburgh Power Plant—removing five old boilers; remodeling the building; and installing two new boilers, an additional turbine-generator complete with switchgear and a power center to supply power for steam generator auxiliaries. The project is scheduled

to be completed at about the end of the present fiscal year.

The projects listed above involve expenditures in excess of \$15 million.

Litigation

There are four suits now pending in which the Company is involved that represent potential liability not covered by insurance, or rights which may result in substantial income. These are not reflected in the balance sheet.

In 1954 the Company received approximately \$25,000 special subsidy from the Commodity Credit Corporation. Last year the government challenged this, and similar payments to other companies, and demanded repayment. We and others filed suits to confirm the validity of such payments.

Several years ago the Company purchased two patents. Last year two former stockholders of a company claiming an interest in the patents brought suit against the former president of that company, who had owned the patents, against his lawyer and against H. J. Heinz Company, seeking an accounting of the amount paid for these patents. It is our position that we have no liability in the matter.

A quantity of equipment which the Company purchased proved defective. We brought suit against the manufacturer, who has attempted to defend by filing a suit against the Company for cancellation of the contract. We expect a favorable decision that will result in a substantial payment to us.

In January we filed suit against a major competitor for large losses resulting from their violation of the anti-trust laws. Subject to proof of their violation of the law and proof of the amount of the damages claimed, the Company will be entitled to treble damages.

Marketing

Individual variety lines are making notable sales progress. Our Ketchup sales, in spite of the industry's excessive stocks and competitors' abnormally low prices, are continuing at the highest level in our history. A new twenty ounce family size bottle of Ketchup, introduced on a national basis last winter, has con-

tributed substantially to our current strong position. We plan to promote the larger Ketchup package extensively.

Baby Food sales were up substantially over the previous year. During the year new lines of the popular High Meat Dinners and Fruit Juices were introduced, as well as many individual best-selling varieties. Currently there are twenty-five Baby Food varieties on the market that are exclusive with Heinz. We are the first major producer to provide Baby Foods in jars with screw caps, and four varieties are now available with this convenient closure. Other Heinz Baby Foods will be similarly capped as soon as closure manufacturers are able to supply our needs.

Mustard, an old stand-by in our 57 Varieties, has been modernized—both the product and the package. New equipment provides a manufacturing process that retains more of the natural mustard zest and flavor in the finished product. Modern jars and colorful labels were designed to give eye appeal, while preserving the utilitarian features of easy stacking, package identification and product visibility. Two new mustard varieties—Horse Radish and Dusseldorf—are in the process of being market tested in several areas. General acceptance will lead to distribution in other areas.

A new pickle variety, introduced nationally in March, has already shown strong sales potential. Called "Candied Krink-L-Chips," this product is a corrugated sliced pickle with an extra sweet flavor.

Four new Soups—Vegetable Beef, Chicken Vegetable, Turkey Noodle, and Minestrone—were successfully marketed on a national basis during fiscal year 1958. The new soups are produced in three sizes, to meet the needs of both the home and the institutional trade. These new varieties are expected to add notably to our growing volume of soup sales. Last fall our annual soup sales program was highlighted by a joint promotional effort with the Radio Corporation of America. The Heinz-RCA premium promotion was one of the largest ever attempted. National advertising in magazines and on television, using our "Studio 57" and RCA's "Perry Como," "George Gobel" and "Eddie Fisher" shows, provided the strongest soup promotion in our history. Thousands of super markets

cooperated with massive displays featuring Heinz Soups and our premium, the RCA sampler record of fine classical music.

Operations Research

An analysis of the Company's distribution points is being conducted on an "Operations Research" basis, to determine the optimum number, size and geographical location. "Operations Research" is a term applied to an intensive and objective study of business problems employing mathematical aids. In addition to the practical solution of our complex distribution problem by our consultants, we are training some of our own personnel in the application of Operations Research techniques.

Tax Refund

In November 1957 we received a refund of income and excess profits taxes, plus accrued interest, for a claim filed in connection with our income tax returns for 1945 and 1946. The refund was made when we established that, for tax purposes, all subsidy payments by Commodity Credit Corporation were reportable as income in the year of actual receipt, rather than on an accrual basis. This resulted in decreasing the previously reported taxable income for the years 1945 and 1946 (when tax rates were extremely high) and increasing our income by a corresponding amount for 1947 (when tax rates were lower). As a result of these adjustments, we had a net reduction in income tax of \$356,050 and a net interest income of \$179,477.

AUSTRALIAN OPERATIONS

The fiscal year which ended April 30 was a rather troubled one in Australia because of the recession that developed rapidly in the first quarter, May to July 1957. The fall in business activity was due largely to the fear of the results of a drought throughout the Commonwealth. The economic unsettlement in the United States also contributed to the general loss of confidence.

Despite these difficulties, H. J. Heinz Company, Pty. Ltd. came through this testing period quite well, establishing a new sales record. The increase in our

sales of Baby Foods contributed to our continued healthy growth in over-all sales and profitability.

During the year, new varieties were introduced in the market, including an entirely new type of product, "Heinz-Ade," an instant Soft Drink Mix. Promising results were obtained in a major test market. We anticipate substantial business when we introduce this product throughout Australia next summer, which begins there in November.

We are able to hold our position in the highly competitive markets for Soups, Beans and Spaghetti, where profit margins are being squeezed. The year saw an easing in the general supply position, and we were able to initiate and implement a program substantially reducing inventories of raw materials and finished goods. Following two poor seasons we had a bumper tomato crop in 1957 and a good crop in 1958, giving us an adequate inventory of Tomato Paste, an important ingredient for several products.

A combination of recession and government action appears to have halted the inflationary trend, at least for the time being. Australia still depends on getting good prices for the export of wool. Dry conditions for the past eighteen months have brought about a reduction in the volume of wool production and this, coupled with a fall in price of approximately 20%, has markedly reduced the country's credit balance. Despite this, Australia is in a sound position internally, and there is every indication that the healthy growth and development of the economy will continue and that the Australian Company's progress will be maintained.

BRITISH OPERATIONS

Sales in fiscal year 1958 for H. J. Heinz Company, Ltd. were not only the highest ever, but the percentage increase in net sales value was greater than the previous year and was substantially higher than the 4% increase in total United Kingdom grocery sales.

There are increasingly competitive conditions, necessitating higher expenditures for advertising and merchandising.

The additional working capital required by the

growth in turnover made it necessary to use more temporary finance in the form of bank overdrafts and acceptance credits. Because these temporary financing arrangements had to be made in a period of high interest rates, the cost of temporary financing was a more significant item in our expenses than ever before.

In spite of the increased volume of goods which were produced in the Harlesden and Standish factories, the Company was still unable to meet the demand for some of its principal varieties. This condition should be rectified by the end of the current year, as the production capacity of our new factory at Kitt Green in Lancashire is progressively brought into use. Certain storage areas of the new factory have been in use for some months. The first product runs are scheduled to commence in the summer of 1958. Within the next year, we expect to bring the whole of the new factory into operation.

The building of the new factory has been chiefly financed in England from the £1,500,000 raised expressly for this purpose by the issue of preference shares in the autumn of 1954, and from retained earnings subsequent to that date. Working capital for the expanded turnover will be supplied largely from a debenture issue in England, recently authorized by the Capital Issues Committee.

Some uncertainty as to the general business climate in the United Kingdom in the next twelve months is tempered by the general belief that the Government will once again encourage expansion of production whenever it believes that this change of course will not lead to a new round of inflationary pressures. The medium and long term outlook for the Food Processing Industry must, therefore, be considered as favorable.

The British Company, with its increased manufacturing facilities now becoming available and with aggressive advertising and merchandising, is well placed to take advantage of this trend.

CANADIAN OPERATIONS

H. J. Heinz Company of Canada, Ltd. attained a new sales high during the year. Profits were satisfactory. This performance was achieved in the face of several

challenges—the softening of the Canadian economy, strong competition and higher operating costs.

Market research has enabled the Canadian Company to improve package appeal and has also assisted in the development of new varieties and new sizes of products already on the market.

During the year, twenty-eight new varieties and eleven new sizes were introduced by the Company. The greatest new variety development was in Baby Foods, with twenty-one new kinds, including fourteen new Strained and Junior Meat Dinner varieties. The new line fills many requests received from the medical profession for a meat and vegetable combination with a higher meat and protein content than found in regular baby foods. Heinz of Canada now has 138 Baby Food varieties, the most complete line of foods offered for baby feeding.

The efficient use of manufacturing facilities enabled production to keep pace with sales, although the Company is reaching the production capacity of present buildings. Last fall the Company purchased eighty acres of land adjoining the Leamington plant site which will permit expansion of manufacturing facilities at that location as required during the next several years.

Construction of a 100,000 square foot warehouse was started early this year. New tomato processing facilities will be in operation for the first time this fall.

After two years of remarkable expansion in 1955 and 1956, the forward rush of the Canadian economy slowed slightly in the last quarter of 1957, and continued at a lower level for the first quarter of 1958. Although actual employment is about the same level as last year, the rapid growth of the labor force, as the result of greatly accelerated immigration in 1957, has resulted in increased unemployment. At this time there are strong indications of a general business recovery, with 1958 national production likely to be in excess of 1957.

The Canadian Company has aggressive sales plans for the coming year and, with its additional manufacturing facilities and large scale promotion, expects to increase sales volume over the records achieved in fiscal year 1958.

H. J. HEINZ COMPANY
AND SUBSIDIARIES

STATEMENTS OF CONSOLIDATED INCOME

| | Fiscal year ended | |
|---|---------------------|----------------------|
| | April 30, 1958 | May 1, 1957 |
| NET SALES..... | \$293,811,817 | \$278,852,384 |
| COST OF SALES..... | <u>197,989,165</u> | <u>181,927,571</u> |
| GROSS PROFIT..... | 95,822,652 | 96,924,813 |
| SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (including management profit sharing plan, \$1,544,314 in 1958)..... | <u>75,757,981</u> | <u>74,793,849</u> |
| OPERATING PROFIT (after provision for depreciation of \$4,335,838 in 1958)..... | 20,064,671 | 22,130,964 |
| OTHER INCOME, NET (including interest on recovery of prior years' Federal taxes on income, \$179,477 in 1958)..... | 510,279 | 829,071 |
| | <u>20,574,950</u> | <u>22,960,035</u> |
| OTHER DEDUCTIONS—interest..... | 2,113,533 | 1,256,512 |
| | <u>18,461,417</u> | <u>21,703,523</u> |
| PROVISION FOR TAXES ON INCOME: | | |
| Federal normal and surtax (less net recovery of \$356,050 in 1958 applicable to prior years)..... | 1,468,156 | 4,184,681 |
| Foreign income taxes..... | 6,877,600 | 6,171,910 |
| | <u>8,345,756</u> | <u>10,356,591</u> |
| DEDUCT Income applicable to minority interests..... | 10,115,661 | 11,346,932 |
| NET INCOME for the year..... | <u>778,748</u> | <u>720,680</u> |
| | <u>\$ 9,336,913</u> | <u>\$ 10,626,252</u> |

(See accompanying notes to financial statements.)

H. J. HEINZ COMPANY
AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

ASSETS

| | April 30, 1958 | May 1, 1957 |
|---|-----------------------------|-----------------------------|
| CURRENT ASSETS: | | |
| Cash..... | \$ 6,143,640 | \$ 6,514,600 |
| Accounts receivable: | | |
| Trade, less allowance for doubtful accounts..... | 15,382,182 | 15,400,924 |
| Sundry..... | 1,226,943 | 1,042,572 |
| Inventories—at average cost or replacement market, whichever lower: | | |
| Finished goods..... | 57,839,109 | 63,125,062 |
| Work in process..... | 6,053,330 | 5,324,486 |
| Ingredient and packaging materials..... | 36,492,051 | 30,866,070 |
| | <u>100,384,490</u> | <u>99,315,618</u> |
| Prepaid insurance, supplies, taxes and sundry..... | 3,336,898 | 3,536,778 |
| Total current assets..... | <u>126,474,153</u> | <u>125,810,492</u> |
| OTHER ASSETS: | | |
| Investment in and advance to non-consolidated subsidiary—at cost (Note 1) | 277,378 | 206,649 |
| Miscellaneous..... | 490,604 | 807,581 |
| | <u>767,982</u> | <u>1,014,230</u> |
| FIXED ASSETS: | | |
| Land—at cost..... | 3,561,122 | 3,229,690 |
| Buildings and leasehold improvements—at cost, less accumulated depreciation of \$12,747,281 in 1958..... | 48,218,413 | 37,765,842 |
| Equipment and fixtures—at cost, less accumulated depreciation of \$30,207,072 in 1958..... | 41,368,744 | 34,415,410 |
| Lug boxes, baskets and pallets—at cost, less amortization..... | 1,074,234 | 1,007,976 |
| | <u>94,222,513</u> | <u>76,418,918</u> |
| | <u><u>\$221,464,648</u></u> | <u><u>\$203,243,640</u></u> |

(See accompanying notes to financial statements.)

H. J. HEINZ COMPANY
AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

LIABILITIES, CAPITAL STOCK AND SURPLUS

| | April 30, 1958 | May 1, 1957 |
|--|----------------------|----------------------|
| CURRENT LIABILITIES: | | |
| Notes payable and loans on open credit (including portion of long-term debt due within one year)..... | \$ 18,141,726 | \$ 12,346,612 |
| Accounts payable and accrued expenses..... | 27,315,253 | 20,819,759 |
| Estimated liability for Federal and foreign taxes on income..... | 7,328,050 | 8,703,341 |
| Total current liabilities..... | <u>52,785,029</u> | <u>41,869,712</u> |
| LONG-TERM DEBT AND OTHER LIABILITIES: | | |
| 2.90% promissory notes—principal due from 1959 to 1969..... | 11,580,000 | 12,450,000 |
| 3.50% serial notes payable—principal due from 1959 to 1961..... | 650,000 | 900,000 |
| 4.25% promissory notes of Australian subsidiary—principal due from 1959 to 1976..... | 8,536,633 | 8,694,016 |
| Liabilities under management profit sharing plan, less portion payable within one year..... | 6,725,070 | 6,067,433 |
| Other non-current liabilities..... | <u>7,210,682</u> | <u>4,729,050</u> |
| | <u>34,702,385</u> | <u>32,840,499</u> |
| MINORITY INTERESTS | <u>11,058,319</u> | <u>10,614,274</u> |
| CAPITAL STOCK AND SURPLUS: | | |
| Cumulative preferred stock—authorized 175,160 shares—par value \$100 per share—issuable in series: | | |
| 3.65% series—authorized, issued and outstanding 75,160 shares in 1958 (Note 2)..... | 7,516,000 | 7,919,700 |
| Common stock—authorized 2,000,000 shares—par value \$25 per share—issued and outstanding 1,688,897 shares..... | 42,222,425 | 42,222,425 |
| Capital surplus..... | 6,420,962 | 6,356,429 |
| Earned surplus: | | |
| Reserved for future inventory price decline, possible loss in foreign assets and other contingencies..... | 5,000,000 | 5,000,000 |
| Unappropriated (Notes 1 and 3)..... | <u>61,759,528</u> | <u>56,420,601</u> |
| | <u>122,918,915</u> | <u>117,919,155</u> |
| | <u>\$221,464,648</u> | <u>\$203,243,640</u> |

(See accompanying notes to financial statements.)

H. J. HEINZ COMPANY
AND SUBSIDIARIES

STATEMENTS OF CONSOLIDATED SURPLUS

| | Fiscal year ended | |
|---|----------------------|----------------------|
| CAPITAL SURPLUS | April 30, 1958 | May 1, 1957 |
| AMOUNT AT BEGINNING OF YEAR..... | \$ 6,356,429 | \$ 6,341,360 |
| EXCESS OF PAR VALUE over cost of preferred stock retired..... | <u>64,533</u> | <u>15,069</u> |
| AMOUNT AT END OF YEAR..... | <u>6,420,962</u> | <u>6,356,429</u> |
| UNAPPROPRIATED EARNED SURPLUS | | |
| AMOUNT AT BEGINNING OF YEAR..... | 56,420,601 | 49,465,560 |
| ADD NET INCOME FOR THE YEAR..... | <u>9,336,913</u> | <u>10,626,252</u> |
| | <u>65,757,514</u> | <u>60,091,812</u> |
| DEDUCT DIVIDENDS PAID: | | |
| On preferred stock—3.65% series..... | 282,413 | 293,417 |
| On common stock—\$2.20 per share in 1958..... | 3,715,573 | 3,377,794 |
| | <u>3,997,986</u> | <u>3,671,211</u> |
| AMOUNT AT END OF YEAR..... | <u>\$ 61,759,528</u> | <u>\$ 56,420,601</u> |

(See accompanying notes to financial statements.)

H. J. HEINZ COMPANY

AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

(1) Principles of consolidation:

The consolidated financial statements include the Company and all operating subsidiary companies with the exception of the recently-acquired subsidiary located in Holland. Consolidated net assets were located as follows:

| | April 30, 1958 | May 1, 1957 |
|------------------------------|----------------------|----------------------|
| United States..... | \$ 73,495,240 | \$ 74,151,671 |
| Canada..... | 14,877,158 | 14,097,937 |
| British Isles..... | 29,978,574 | 25,461,184 |
| Australia..... | <u>4,567,943</u> | <u>4,208,363</u> |
| Consolidated net assets..... | <u>\$122,918,915</u> | <u>\$117,919,155</u> |

All assets, except fixed assets, and all liabilities, except long-term debt, of the foreign subsidiaries have been converted at rates of exchange prevailing at the end of the fiscal year; fixed assets and long-term debt have been stated at their approximate United States dollar equivalent at the time of acquisition. The realization in U. S. dollars of assets located in the British Isles and in Australia is limited by currency and other restrictions of those countries.

Of the net income for the year \$7,638,930 originated from foreign subsidiaries consolidated.

Operating accounts (other than depreciation which was based upon the approximate equivalent dollar cost of fixed assets) were converted at average rates of exchange prevailing during the fiscal year. The income of the Company from dividends declared and paid by foreign subsidiaries during the year amounted to \$2,106,330 before foreign taxes on such dividends.

During the year, the capital stock of the Spanish subsidiary was sold. As of April 1, 1958, the Company acquired all the capital stock of a company located in Holland for approximately \$235,000.

(2) Cumulative preferred stock:

The 3.65% series cumulative preferred stock is, until October 1, 1960 callable at \$104.75 per share or redeemable through the sinking fund at a maximum of \$103.75 per share and at decreasing prices thereafter. A payment, not exceeding \$200,000, is required to be made to the sinking fund on or before October 1 of each year. The payment for October 1, 1958 has been made.

(3) Earned surplus:

Under the provisions of the 2.90% promissory notes, the portion of the consolidated earned surplus which is unrestricted as to the payment of cash dividends on the common stock is not less than \$39,497,670.

(4) Retirement systems:

The amount charged to income by the Company and its consolidated subsidiaries for the year aggregated \$1,793,685 with respect to past service and current service costs. Unfunded past service costs at April 30, 1958 amounted to \$1,855,878.

(5) Commitments and contingencies:

Contracts and purchase orders approximating \$9,500,000 have been executed in connection with the construction programs.

Contingencies exist with respect to matters arising in the ordinary course of business which, however, are not considered to be significant in amount.

PEAT, MARWICK, MITCHELL & CO.

CERTIFIED PUBLIC ACCOUNTANTS
HENRY W. OLIVER BUILDING
PITTSBURGH 22, PA.

ACCOUNTANTS' REPORT

To the Stockholders, H. J. Heinz Company:

We have examined the consolidated balance sheet of H. J. Heinz Company and subsidiaries as of April 30, 1958 and the related statements of income and surplus for the fiscal year then ended. Our examination, which included the Company and its Canadian subsidiary but did not include the British and Australian subsidiaries (which are of major importance), was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. As regards the British and Australian subsidiaries, the accounts of which are incorporated in the accompanying consolidated financial statements, as indicated in Note 1, we have been furnished the reports of other independent accountants.

In our opinion, based on our examination and on the reports of other independent accountants, the accompanying consolidated balance sheet and statements of consolidated income and surplus present fairly the financial position of H. J. Heinz Company and subsidiaries at April 30, 1958 and the results of their operations for the fiscal year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

June 10, 1958

Peat, Marwick, Mitchell + Co.

H. J. HEINZ COMPANY
AND SUBSIDIARIES

SUMMARY OF INCOME STATEMENTS

| | FISCAL YEARS ENDED | | |
|--|--------------------|---------------------|---------------------|
| | April 30, 1958 | May 1, 1957 | May 2, 1956 |
| Net sales..... | \$293,811,817 | \$278,852,384 | \$262,425,046 |
| Cost of sales..... | <u>197,989,165</u> | <u>181,927,571</u> | <u>170,487,408</u> |
| Gross profit..... | 95,822,652 | 96,924,813 | 91,937,638 |
| Selling, general and administrative expenses (including management profit sharing plan)..... | 75,757,981 | 74,793,849 | 70,121,011 |
| | 20,064,671 | 22,130,964 | 21,816,627 |
| Other income—including foreign exchange adjustments..... | 510,279 | 829,071 | 1,266,859 |
| | 20,574,950 | 22,960,035 | 23,083,486 |
| Other deductions—including interest expense..... | 2,113,533 | 1,256,512 | 916,607 |
| | 18,461,417 | 21,703,523 | 22,166,879 |
| Provision for taxes on income..... | 8,345,756 | 10,356,591 | 10,907,900 |
| | 10,115,661 | 11,346,932 | 11,258,979 |
| Deduct Income applicable to minority interests..... | 778,748 | 720,680 | 675,035 |
| Net income for the year..... | <u>\$9,336,913</u> | <u>\$10,626,252</u> | <u>\$10,583,944</u> |
| Balance of net income per share of common stock—after preferred dividends..... | \$5.36 | \$6.12 | \$6.09 |
| Cash dividends per share of common stock..... | 2.20 | 2.00 | 1.80 |

(A) Per share figures have been adjusted for 1951 and prior years to give effect to the 20% stock distribution in October, 1951.

H. J. HEINZ COMPANY
AND SUBSIDIARIES

SUMMARY OF INCOME STATEMENTS

| FISCAL YEARS ENDED | | | | | | |
|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| April 27, 1955 | April 28, 1954 | April 29, 1953 | April 30, 1952 | May 2, 1951 | May 3, 1950 | April 30, 1949 |
| \$234,179,207 | \$220,632,934 | \$219,573,998 | \$205,991,208 | \$189,098,235 | \$170,508,252 | \$174,877,723 |
| 151,890,465 | 149,499,095 | 147,268,476 | 139,916,553 | 124,567,518 | 116,433,519 | 120,105,287 |
| 82,288,742 | 71,133,839 | 72,305,522 | 66,074,655 | 64,530,717 | 54,074,733 | 54,772,436 |
| 62,740,130 | 57,374,877 | 58,167,806 | 55,004,941 | 48,748,889 | 45,214,589 | 43,974,306 |
| 19,548,612 | 13,758,962 | 14,137,716 | 11,069,714 | 15,781,828 | 8,860,144 | 10,798,130 |
| 475,452 | 124,452 | 310,310 | 859,195 | 1,026,856 | 173,064 | 506,953 |
| 20,024,064 | 13,883,414 | 14,448,026 | 11,928,909 | 16,808,684 | 9,033,208 | 11,305,083 |
| 1,490,028 | 1,328,699 | 1,234,948 | 931,177 | 1,053,922 | 981,293 | 491,505 |
| 18,534,036 | 12,554,715 | 13,213,078 | 10,997,732 | 15,754,762 | 8,051,915 | 10,813,578 |
| 9,147,265 | 6,657,155 | 7,374,583 | 5,010,950 | 8,197,525 | 3,567,234 | 4,291,976 |
| 9,386,771 | 5,897,560 | 5,838,495 | 5,986,782 | 7,557,237 | 4,484,681 | 6,521,602 |
| 604,447 | 311,884 | 291,983 | 174,423 | 134,702 | 120,664 | 70,554 |
| <u>\$8,782,324</u> | <u>\$5,585,676</u> | <u>\$5,546,512</u> | <u>\$5,812,359</u> | <u>\$7,422,535</u> | <u>\$4,364,017</u> | <u>\$6,451,048</u> |
| |
| \$5.02 | \$3.12 | \$3.09 | \$3.25 | \$4.19(A) | \$2.38 | \$3.61 |
| |
| 1.80 | 1.80 | 1.80 | 1.80 | 1.50(A) | 1.50 | 1.50 |

HEINZ LOCATIONS THROUGHOUT THE WORLD

UNITED STATES

PRINCIPAL EXECUTIVE OFFICE: *Pittsburgh, Pa.*

SALES OFFICES

| | | | |
|------------------|----------------------|----------------------|------------------------------|
| Albany, N.Y. | *Detroit, Mich. | Louisville, Ky. | Portland, Ore. |
| Atlanta, Ga. | Fort Wayne, Ind. | Memphis, Tenn. | Rock Island, Ill. |
| Baltimore, Md. | Grand Rapids, Mich. | Miami, Fla. | Salt Lake City, Utah |
| Birmingham, Ala. | Greensboro, N.C. | Milwaukee, Wis. | San Antonio, Texas |
| *Boston, Mass. | Hartford, Conn. | Newark, N.J. | San Diego, Calif. |
| Buffalo, N.Y. | Houston, Texas | New Orleans, La. | Scranton, Pa. |
| *Chicago, Ill. | Huntington, W.Va. | *New York, N.Y. | Seattle, Wash. |
| Cincinnati, Ohio | Indianapolis, Ind. | *Oakland, Calif. | Spokane, Wash. |
| Cleveland, Ohio | *Jacksonville, Fla. | Oklahoma City, Okla. | *St. Louis, Mo. |
| Columbus, Ohio | Johnstown, Pa. | Omaha, Neb. | *St. Paul, Minn. |
| *Dallas, Texas | Kansas City, Mo. | *Philadelphia, Pa. | Syracuse, N.Y. |
| Denver, Colo. | Knoxville, Tenn. | *Pittsburgh, Pa. | Youngstown, Ohio |
| Des Moines, Iowa | *Los Angeles, Calif. | Portland, Me. | *Regional Sales Headquarters |

FACTORIES

| | | | |
|---------------------|-----------------|-----------------|---------------------|
| Bowling Green, Ohio | Holland, Mich. | Pittsburgh, Pa. | Watsonville, Calif. |
| Chambersburg, Pa. | Medina, N.Y. | Salem, N.J. | Winchester, Va. |
| Fremont, Ohio | Muscatine, Iowa | Tracy, Calif. | |

SALTING HOUSE DISTRICT HEADQUARTERS

| | | | |
|-------------------|----------------|-----------------|----------------|
| Big Rapids, Mich. | Greeley, Colo. | Isleton, Calif. | Portage, Wis. |
| Fremont, Mich. | Holland, Mich. | Plymouth, Ind. | Saginaw, Mich. |

Numerous vegetable and pickle receiving stations operate in the areas surrounding the factories and salting houses.

CANADA

H. J. HEINZ COMPANY OF CANADA, LTD.

HEAD OFFICE: *Leamington, Ontario*

SALES BRANCHES

| | | | |
|-----------------|-----------------|----------------|------------------|
| Calgary, Alta. | *Montreal, Que. | Regina, Sask. | *Toronto, Ont. |
| Edmonton, Alta. | Ottawa, Ont. | St. John, N.B. | *Vancouver, B.C. |
| *Halifax, N.S. | Quebec, Que. | Sudbury, Ont. | Windsor, Ont. |
| Hamilton, Ont. | | | Winnipeg, Man. |

**Regional Sales Headquarters*

FACTORY: Leamington, Ontario

SALTING STATION: Teeswater, Ontario

GREAT BRITAIN

H. J. HEINZ COMPANY, LTD.

HEAD OFFICE: *London*

SALES BRANCHES

| | | | | | | |
|------------|---------|------------|-----------|-------------|------------|-------------|
| Belfast | Cardiff | *Edinburgh | Ipswich | *London | Nottingham | Rochester |
| Birmingham | Chester | Glasgow | Leeds | *Manchester | Plymouth | Sheffield |
| Bradford | Dundee | Hull | Liverpool | Newcastle | Preston | Southampton |
| Bristol | | | | | | |

**Regional Sales Headquarters*

FACTORIES: London; Standish; Kitt Green

AUSTRALIA

H. J. HEINZ COMPANY, PTY. LTD.

HEAD OFFICE: *Dandenong, Victoria*

SALES BRANCHES

| | | | |
|---------------------------|-------------------------|---------------------|--------------------------|
| Adelaide, South Australia | Brisbane, Queensland | Dandenong, Victoria | Perth, Western Australia |
| | Sydney, New South Wales | | |

FACTORY: Dandenong, Victoria

HOLLAND

TAMINIAU'S CONSERVENFABRIEKEN N. V.

HEAD OFFICE AND FACTORY: *Elst (Over Betuwe)*

From these business locations throughout the world, our products are distributed to hundreds of thousands of large and small stores, hotels, restaurants and other institutions in more than 200 countries and territories.

"THE 57 VARIETIES"

1. Heinz Pork & Beans in Tomato Sauce
2. Heinz Boston Style Beans with Pork and Molasses Sauce
3. Heinz Vegetarian Beans in Tomato Sauce
4. Heinz Campside Beans
5. Heinz Chili Con Carne with Beans
6. Heinz Condensed Split Pea Soup
7. Heinz Condensed Cream of Pea Soup
8. Heinz Condensed Cream of Mushroom Soup
9. Heinz Condensed Tomato Soup
10. Heinz Condensed Cream of Celery Soup
11. Heinz Condensed Beef Noodle Soup
12. Heinz Condensed Bean Soup
13. Heinz Condensed Gumbo Creole Soup
14. Heinz Condensed Chicken Gumbo Soup
15. Heinz Condensed Chicken Soup with Rice
16. Heinz Condensed Chicken Noodle Soup
17. Heinz Condensed Chicken Vegetable Soup
18. Heinz Condensed Cream of Chicken Soup
19. Heinz Condensed Clam Chowder
20. Heinz Condensed Consomme
21. Heinz Condensed Minestrone Soup
22. Heinz Condensed Beef Soup
23. Heinz Condensed Vegetable Beef Soup
24. Heinz Condensed Vegetable Soup
25. Heinz Condensed Vegetarian Vegetable Soup
26. Heinz Condensed Turkey Noodle Soup
27. Heinz Minute Meals—Beef Goulash, Chicken Noodle Dinner, Chop Suey, Macaroni Creole, Spanish Rice, Beef Stew, Chicken Stew with Dumplings, Beans and Franks
28. Heinz Spaghetti, Tomato Sauce and Cheese
29. Heinz Macaroni with Cheese Sauce
30. Heinz Ready-to-Serve Soups
31. Heinz Pickles—Sweet and Sour
32. Heinz Genuine Dill Pickles
33. Heinz Processed Dill Pickles
34. Heinz Kosher Dill Pickles
35. Heinz Fresh Cucumber Pickles
36. Heinz India Relish
37. Heinz Hot Dog Relish
38. Heinz Hamburger Relish
39. Heinz Pickled Onions—Sweet and Sour
40. Heinz Pre-Cooked Cereals for Babies
41. Heinz Teething Biscuits
42. Heinz Strained Fruit Juices
43. Heinz Strained Egg Yolks
44. Heinz Strained Baby Foods
45. Heinz Strained Meats
46. Heinz Strained High Meat Dinners
47. Heinz Junior Baby Foods
48. Heinz Junior Meats
49. Heinz Junior High Meat Dinners
50. Heinz Prepared Yellow Mustard
51. Heinz Prepared Brown Mustard
52. Heinz Tomato Juice
53. Heinz Tomato Ketchup
54. Heinz Chili Sauce
55. Heinz Sauces—Savory, Worcestershire, 57
56. Heinz Dehydrated Horse Radish
57. Heinz Vinegars—Cider, White, Malt, Tarragon, Salad

